

CITY OF LAMONI
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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City of Lamoni

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kirk Bjorland	Mayor	Jan 2010
Roger Potts	Council Member/Mayor Pro tem	Jan 2008
Steve Murdock	Council Member	Jan 2008
Mark Ballantyne	Council Member	Jan 2010
Anthony Crandell	Council Member	Jan 2010
Diane Gray	Council Member	Jan 2010
Deanna Ballantyne	City Clerk/Administrator/Treasurer	Jan 2008
Barb Stuck	Deputy Clerk	Jan 2008
Robert Rolfe	Attorney	Jan 2008

City of Lamoni

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lamoni's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the governmental fund type financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2007 on our consideration of the City of Lamoni's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Budgetary comparison information on pages 17 through 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on them. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed qualified opinions on the June 30, 2005 financial statements and unqualified opinions on the June 30, 2004 financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
August 8, 2007

Basic Financial Statements

City of Lamoni

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	<u>Disbursements</u>
Functions / Programs:	
Governmental activities:	
Public safety	\$ 282,443
Public works	425,836
Culture and recreation	197,735
Community and economic development	95,912
General government	126,163
Debt service	338,734
Capital projects	123,014
Total governmental activities	<u>\$ 1,589,837</u>
Business type activities:	
Electric	\$ 1,845,575
Gas	618,625
Water	365,402
Sewer	157,977
Total business type activities	<u>\$ 2,987,579</u>
Total	<u><u>\$ 4,577,416</u></u>
General Receipts:	
Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Grants and contributions not restricted to specific purpose	
Unrestricted interest on investments	
Miscellaneous	
Bond and loan proceeds	
Discount on bond proceeds	
Transfers	
Total general receipts and transfers	
Change in cash basis net assets	
Cash basis net assets beginning of year	
Cash basis net assets end of year	
Cash Basis Net Assets	
Restricted:	
Streets	
Urban renewal purposes	
Debt service	
Other purposes	
Unrestricted	
Total cash basis net assets	

See notes to financial statements.

Exhibit A

Charges for Service	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$ 10,962	\$ 3,206	\$ 103,291	\$ (164,984)	\$ -	\$ (164,984)
50	203,695	-	(222,091)	-	(222,091)
77,244	75,031	-	(45,460)	-	(45,460)
30,425	1,100	2,871	(61,516)	-	(61,516)
-	-	-	(126,163)	-	(126,163)
-	-	-	(338,734)	-	(338,734)
-	-	-	(123,014)	-	(123,014)
<u>\$ 118,681</u>	<u>\$ 283,032</u>	<u>\$ 106,162</u>	<u>\$ (1,081,962)</u>	<u>\$ -</u>	<u>\$ (1,081,962)</u>
\$ 1,946,868	\$ -	\$ -	\$ -	\$ 101,293	\$ 101,293
937,178	-	-	-	318,553	318,553
413,787	-	-	-	48,385	48,385
215,231	-	-	-	57,254	57,254
<u>\$ 3,513,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,485</u>	<u>\$ 525,485</u>
<u>\$ 3,631,745</u>	<u>\$ 283,032</u>	<u>\$ 106,162</u>	<u>\$ (1,081,962)</u>	<u>\$ 525,485</u>	<u>\$ (556,477)</u>
			\$ 432,645	\$ -	\$ 432,645
			37,754	-	37,754
			96,205	-	96,205
			121,364	-	121,364
			4,692	-	4,692
			634	65,717	66,351
			200,758	-	200,758
			-	-	-
			-	-	-
			260,437	(260,437)	-
			<u>\$ 1,154,489</u>	<u>\$ (194,720)</u>	<u>\$ 959,769</u>
			<u>\$ 72,527</u>	<u>\$ 330,765</u>	<u>\$ 403,292</u>
			201,520	1,517,864	1,719,384
			<u>\$ 274,047</u>	<u>\$ 1,848,629</u>	<u>\$ 2,122,676</u>
			\$ 117,936	\$ -	\$ 117,936
			5,384	-	5,384
			-	284,481	284,481
			10,719	-	10,719
			140,008	1,564,148	1,704,156
			<u>\$ 274,047</u>	<u>\$ 1,848,629</u>	<u>\$ 2,122,676</u>

City of Lamoni

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2007

	General	Special Road Use Tax
Receipts:		
Property tax	\$ 325,902	\$ -
Tax increment financing collections	-	-
Other city tax	651	-
Licenses and permits	2,923	-
Use of money and property	15,364	-
Intergovernmental	13,833	203,695
Charges for service	190,790	-
Miscellaneous	44,346	-
Total receipts	<u>\$ 593,809</u>	<u>\$ 203,695</u>
Disbursements:		
Operating:		
Public safety	\$ 187,112	\$ -
Public works	178,950	209,259
Culture and recreation	135,757	-
Community and economic development	54,813	-
General government	103,479	-
Debt service	4,689	-
Capital projects	-	-
Total disbursements	<u>\$ 664,800</u>	<u>\$ 209,259</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (70,991)</u>	<u>\$ (5,564)</u>
Other financing sources (uses):		
Bond proceeds	\$ -	\$ -
Discount on bond proceeds	-	-
Anticipatory warrants issued	-	-
Operating transfers in	47,885	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>\$ 47,885</u>	<u>\$ -</u>
Net change in cash balances	\$ (23,106)	\$ (5,564)
Cash balances beginning of year	(56,985)	123,500
Cash balances end of year	<u>\$ (80,091)</u>	<u>\$ 117,936</u>
Cash Basis Fund Balances		
Unreserved:		
General fund	\$ (80,091)	\$ -
Special revenue funds	-	117,936
Debt service	-	-
Capital projects funds	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ (80,091)</u>	<u>\$ 117,936</u>

See notes to financial statements.

Exhibit B

Revenue		Capital Projects		Other Nonmajor	
Local Option	Debt	Airport	Recreation	Governmental	Total
Sales Tax	Service	FTA Grant	Trail	Funds	
\$ -	\$ 96,205	\$ -	\$ -	\$ 106,743	\$ 528,850
-	-	-	-	37,754	37,754
121,364	-	-	-	-	122,015
-	-	-	-	-	2,923
-	-	-	-	223	15,587
-	-	79,291	-	-	296,819
-	-	-	-	-	190,790
-	-	-	24,968	137,875	207,189
<u>\$ 121,364</u>	<u>\$ 96,205</u>	<u>\$ 79,291</u>	<u>\$ 24,968</u>	<u>\$ 282,595</u>	<u>\$ 1,401,927</u>
\$ 24,697	\$ -	\$ -	\$ -	\$ 70,634	\$ 282,443
365	-	-	-	32,573	421,147
16,412	-	-	-	45,566	197,735
-	-	-	-	41,099	95,912
-	-	-	-	22,684	126,163
-	338,734	-	-	-	343,423
-	-	94,277	1,157	27,580	123,014
<u>\$ 41,474</u>	<u>\$ 338,734</u>	<u>\$ 94,277</u>	<u>\$ 1,157</u>	<u>\$ 240,136</u>	<u>\$ 1,589,837</u>
<u>\$ 79,890</u>	<u>\$ (242,529)</u>	<u>\$ (14,986)</u>	<u>\$ 23,811</u>	<u>\$ 42,459</u>	<u>\$ (187,910)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	237,552	-	-	-	285,437
(25,000)	-	-	-	-	(25,000)
<u>\$ (25,000)</u>	<u>\$ 237,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,437</u>
\$ 54,890	\$ (4,977)	\$ (14,986)	\$ 23,811	\$ 42,459	\$ 72,527
122,925	(8,127)	(6,438)	(10,796)	37,441	201,520
<u>\$ 177,815</u>	<u>\$ (13,104)</u>	<u>\$ (21,424)</u>	<u>\$ 13,015</u>	<u>\$ 79,900</u>	<u>\$ 274,047</u>
\$ -	\$ (13,104)	\$ -	\$ -	\$ -	\$ (93,195)
177,815	-	-	-	69,181	364,932
-	-	-	-	-	-
-	-	(21,424)	13,015	-	(8,409)
-	-	-	-	10,719	10,719
<u>\$ 177,815</u>	<u>\$ (13,104)</u>	<u>\$ (21,424)</u>	<u>\$ 13,015</u>	<u>\$ 79,900</u>	<u>\$ 274,047</u>

Exhibit C

City of Lamoni

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 1,946,868	\$ 937,178	\$ 413,787	\$ 215,231	\$ 3,513,064
Operating disbursements:					
Business type activities	\$ 1,803,015	\$ 618,625	\$ 365,402	\$ 157,977	\$ 2,945,019
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 143,853	\$ 318,553	\$ 48,385	\$ 57,254	\$ 568,045
Non-operating receipts (disbursements):					
Interest on investments	\$ 21,159	\$ 9,731	\$ 13,073	\$ 21,754	\$ 65,717
Debt Service	(42,560)	-	-	-	(42,560)
Total non-operating receipts (disbursements)	\$ (21,401)	\$ 9,731	\$ 13,073	\$ 21,754	\$ 23,157
Excess (deficiency) of receipts over (under) disbursements	\$ 122,452	\$ 328,284	\$ 61,458	\$ 79,008	\$ 591,202
Other financing uses					
Operating transfers out	\$ (47,885)	\$ -	\$ (135,132)	\$ (77,420)	\$ (260,437)
Net change in cash balances	\$ 74,567	\$ 328,284	\$ (73,674)	\$ 1,588	\$ 330,765
Cash balances beginning of year	565,889	50,322	468,704	432,949	1,517,864
Cash balances end of year	\$ 640,456	\$ 378,606	\$ 395,030	\$ 434,537	\$ 1,848,629
Cash Basis Fund Balances					
Reserved for debt service	\$ 40,000	\$ -	\$ 163,961	\$ 80,520	\$ 284,481
Unreserved	600,456	378,606	231,069	354,017	1,564,148
Total cash basis fund balances	\$ 640,456	\$ 378,606	\$ 395,030	\$ 434,537	\$ 1,848,629

See notes to financial statements.

City of Lamoni

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The city also provides electric, gas, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The city participates in one joint venture. The Solid Waste Management Commission is classified as such due to there being an ongoing financial responsibility.

The City also participates in three jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commission: Solid Waste Management commission, County Emergency Management Commission, Decatur County Development Network, and Southern Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for public safety and culture and recreation funded by local option monies.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects, Recreation Trail Fund is used to account for the construction of the new recreational bike trail.

The Capital Projects, Airport FTA Grant is used to account for the airport renovation.

The City reports the following major proprietary funds:

The Electric Fund accounts for the delivery of electricity to the citizens and businesses of Lamoni.

The Gas Fund accounts for the delivery of natural gas to the citizens and businesses of Lamoni.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the governmental fund type financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the governmental fund type financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, public safety, community and economic development and debt service .

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2007 are as follows:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ 275	275	January 2015

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable/Other Debt

Annual debt service requirements to maturity for general obligation bonds and notes, revenue bonds and notes, and other debt are as follows:

Year Ending June 30,	General Obligation				Revenue			
	Bonds and Notes		Other Debt		Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 104,000	\$ 34,038	\$ 10,045	\$ 644	\$ 148,000	\$ 41,350	\$ 262,045	\$ 76,032
2009	114,000	29,141	10,166	523	154,000	36,760	278,166	66,424
2010	120,000	23,738	10,291	398	155,000	31,720	285,291	55,856
2011	125,000	17,957	10,420	269	162,000	26,440	297,420	44,666
2012	46,000	11,791	10,553	137	54,000	20,700	110,553	32,628
2013-2017	194,000	31,011	30,000	-	294,000	78,210	518,000	109,221
2018-2022	63,000	4,915	20,500	-	342,000	31,410	425,500	36,325
2022-2027	-	-	-	-	-	-	-	-
Total	\$ 766,000	\$ 152,591	\$ 101,975	\$ 1,971	\$ 1,309,000	\$ 266,590	\$ 2,176,975	\$ 421,152

The resolution providing for the issuance of the water revenue refunding notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account is insufficient to pay such principal and interest when due.

- (d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.
- (e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- (f) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer and electric revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer and electric revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the sewer and electric account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The city is not in compliance with the above three bond resolution since all of the bonds were paid out Debt Service Fund, after a transfer from the revenue account rather than being paid out of the revenue accounts per the bond resolutions.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution

rate. Contribution requirements are established by state statute. The City's and Utilities' contributions to IPERS for the two years ended June 30, 2007 and 2006 were \$58,045 and \$53,859, respectively equal to the required contributions for each year.

(5) Compensated Absences

City and Utility employees accumulate a limited amount of earned but unused vacation, personal, and compensatory hours for subsequent use or for payment upon termination, retirement or death. City and Utility employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement at 50%. These accumulations are not recognized as disbursements by the City until used or paid. The City's and Utilities' approximate liability for earned vacation, sick leave, personal and compensatory time termination payments payable to employees at June 30, 2007, primarily relating to the General and Proprietary Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 59,514
Sick leave	88,404
Personal	1,437
Compensatory time	<u>3,452</u>
Total	<u>\$152,807</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Commitment – Colony Housing Authority

In December 1979, the city entered into an agreement with Colony Housing Authority (CHA) of Lamoni whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2007 is \$80,500.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Electric	<u>\$ 47,885</u>
Debt Service	Special Revenue: Local Option Sales Tax	\$ 25,000
	Enterprise: Water	135,132
	Sewer	<u>77,420</u>
		<u>\$ 237,552</u>
Total		<u>\$ 285,437</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,511 during the year ended June 30, 2007.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Economic Development

On June 19, 1997, the City entered into an agreement with Places Discount Stores where the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 1999 and continuing through and including June 1, 2009. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property.

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. where the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property.

On April 10, 2003, the City entered into a development agreement with Southern Iowa Building Center, Inc. where the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax payments shall not constitute general obligations of the City but shall be paid solely and only from incremental property taxes received by the City.

(11) Wayne, Ringgold, and Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne, Ringgold, and Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2007 the City

of Lamoni paid the Wayne, Ringgold and Decatur County Solid Waste Management Commission \$19,612.

The Commission may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City has an ongoing financial obligation.

Completed financial statements for the Commission can be obtained from the Commission.

(12) Leases

The City leases out the Welcome Center, gift shop, and storage space to Energy Engineering Solutions for \$18,000. Rent received from the Welcome Center during the fiscal year was \$9,950. The city is also a party to various small leases for hangars at the airport, hay ground, and pasture rental. The amounts received under these leases are all immaterial totaling \$5,165.

(13) Deficit Fund Balance

The City had the following deficit balances at June 30, 2007:

General Fund		\$80,091
Special Revenue Funds	DARE Program	165
	Police grant	18,767
	Fire Department Grant	500
	Community Center Roccs Grant	71
	Airport Hangars	7,729
	Airport Grants	2,907
	Fire Truck Insurance	2,927
Debt Service		13,104
Capital Projects	Airport FTA Grant	21,424

The deficits will be eliminated with transfers.

(14) Construction Commitment

The City had a construction contract during the year for Phase II of the Recreation Trail totaling \$74,145. As of June 30, 2007, there is no remaining balance.

Required Supplementary Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 528,850	\$ -
Tax increment financing collections	37,754	-
Other city tax	122,015	-
Licenses and permits	2,923	-
Use of money and property	15,587	65,717
Intergovernmental	296,819	-
Charges for service	190,790	3,513,064
Miscellaneous	207,189	-
Total receipts	<u>\$ 1,401,927</u>	<u>\$ 3,578,781</u>
Disbursements:		
Public safety	\$ 282,443	\$ -
Public works	421,147	-
Culture and recreation	197,735	-
Community and economic development	95,912	-
General government	126,163	-
Debt service	343,423	42,560
Capital projects	123,014	-
Business type activities	-	2,945,019
Total disbursements	<u>\$ 1,589,837</u>	<u>\$ 2,987,579</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (187,910)	\$ 591,202
Other financing sources (uses), net	<u>260,437</u>	<u>(260,437)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	\$ 72,527	\$ 330,765
Balances beginning of year	<u>201,520</u>	<u>1,517,864</u>
Balances end of year	<u><u>\$ 274,047</u></u>	<u><u>\$ 1,848,629</u></u>

See accompanying independent auditors' report.

Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
		Original	Final	
\$ -	\$ 528,850	\$ 529,098	\$ 529,098	\$ (248)
-	37,754	36,100	36,100	1,654
-	122,015	103,550	103,550	18,465
-	2,923	3,593	3,593	(670)
-	81,304	16,800	16,800	64,504
-	296,819	351,563	408,563	(111,744)
-	3,703,854	4,005,385	4,012,858	(309,004)
-	207,189	27,090	94,890	112,299
<u>\$ -</u>	<u>\$ 4,980,708</u>	<u>\$ 5,073,179</u>	<u>\$ 5,205,452</u>	<u>\$ (224,744)</u>
\$ -	\$ 282,443	\$ 256,416	\$ 273,416	\$ (9,027)
-	421,147	389,459	389,459	(31,688)
-	197,735	228,622	256,622	58,887
-	95,912	50,348	50,348	(45,564)
-	126,163	139,804	139,804	13,641
-	385,983	142,841	142,841	(243,142)
-	123,014	153,310	153,310	30,296
-	2,945,019	3,494,101	3,494,101	549,082
<u>\$ -</u>	<u>\$ 4,577,416</u>	<u>\$ 4,854,901</u>	<u>\$ 4,899,901</u>	<u>\$ 322,485</u>
\$ -	\$ 403,292	\$ 218,278	\$ 305,551	\$ 97,741
-	-	-	-	-
\$ -	\$ 403,292	\$ 218,278	\$ 305,551	\$ 97,741
-	1,719,384	1,841,707	1,841,707	(122,323)
<u>\$ -</u>	<u>\$ 2,122,676</u>	<u>\$ 2,059,985</u>	<u>\$ 2,147,258</u>	<u>\$ (24,582)</u>

Required Supplementary Information

City of Lamoni

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment was added to include the receipts and disbursements of the utilities, which increased budgeted receipts and disbursements by \$132,273 and \$45,000, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in public safety, public works, community and economic development and debt service.

Other Supplementary Information

City of Lamoni

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue					
	Employee Benefits	Fire Equipment Grant	Library DEKKO	Community Center/ Elliott Trust	Library Memorial	Library Book Trust
Receipts:						
Property tax	\$ 106,743	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Miscellaneous	-	1,880	25,000	-	799	22,777
Total receipts	<u>\$ 106,743</u>	<u>\$ 1,880</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ 22,777</u>
Disbursements:						
Operating:						
Public safety	\$ 34,287	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	30,797	-	-	-	-	-
Culture and recreation	19,367	-	-	-	1,303	9,922
Community and economic development	556	-	-	-	-	-
General government	22,684	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	<u>\$ 107,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303</u>	<u>\$ 9,922</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (948)</u>	<u>\$ 1,880</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (504)</u>	<u>\$ 12,855</u>
Other financing sources (uses):						
Bond proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Discount on bond proceeds	-	-	-	-	-	-
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (948)	\$ 1,880	\$ 25,000	\$ -	\$ (504)	\$ 12,855
Cash balances beginning of year	18,501	(1)	-	875	2,419	3,544
Cash balances end of year	<u>\$ 17,553</u>	<u>\$ 1,879</u>	<u>\$ 25,000</u>	<u>\$ 875</u>	<u>\$ 1,915</u>	<u>\$ 16,399</u>
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 17,553	\$ 1,879	\$ 25,000	\$ 875	\$ 1,915	\$ 16,399
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 17,553</u>	<u>\$ 1,879</u>	<u>\$ 25,000</u>	<u>\$ 875</u>	<u>\$ 1,915</u>	<u>\$ 16,399</u>

See accompanying independent auditors' report.

Special Revenue Continued									
Bi-Centennial Trust	DARE Program	Community Beautification	Library After School	Fire Department ROCCS Grant	Beautification Donations	Welcome Center	Fire Department LMS	Community Center Carpet	Library Building
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1,325	-	-	-	1,100	-	-	2,871	50
<u>\$ -</u>	<u>\$ 1,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,871</u>	<u>\$ 50</u>
\$ -	\$ 3,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,009
-	-	-	-	-	-	36	-	2,753	-
-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 2,753</u>	<u>\$ 1,009</u>
\$ -	\$ (1,785)	\$ -	\$ -	\$ -	\$ 1,100	\$ (36)	\$ -	\$ 118	\$ (959)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (1,785)	\$ -	\$ -	\$ -	\$ 1,100	\$ (36)	\$ -	\$ 118	\$ (959)
296	1,620	-	1,000	148	-	50	500	-	14,820
<u>\$ 296</u>	<u>\$ (165)</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 148</u>	<u>\$ 1,100</u>	<u>\$ 14</u>	<u>\$ 500</u>	<u>\$ 118</u>	<u>\$ 13,861</u>
\$ 296	\$ (165)	\$ -	\$ 1,000	\$ 148	\$ 1,100	\$ 14	\$ 500	\$ 118	\$ 13,861
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ 296</u>	<u>\$ (165)</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 148</u>	<u>\$ 1,100</u>	<u>\$ 14</u>	<u>\$ 500</u>	<u>\$ 118</u>	<u>\$ 13,861</u>

Special Revenue Continued									
Fire Truck Insurance	Historic Tours	North Park Betterment	CDBG Real Estate Trust	Pool Renovation Donatos	Airport Trust	Police Grant	Fire Department Grant	Recreation Kum & Go	Parks- Harrington
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
938	-	45,739	-	900	-	3,500	-	1,804	-
<u>\$ 938</u>	<u>\$ -</u>	<u>\$ 45,739</u>	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 1,804</u>	<u>\$ -</u>
\$ 9,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,747	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	10,391	-	-	-	-	-	850	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ 9,490</u>	<u>\$ -</u>	<u>\$ 10,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,747</u>	<u>\$ -</u>	<u>\$ 850</u>	<u>\$ -</u>
\$ (8,552)	\$ -	\$ 35,348	\$ -	\$ 900	\$ -	\$ (20,247)	\$ -	\$ 954	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (8,552)	\$ -	\$ 35,348	\$ -	\$ 900	\$ -	\$ (20,247)	\$ -	\$ 954	\$ -
5,625	283	(34,701)	1,503	-	1,198	1,480	(500)	-	583
<u>\$ (2,927)</u>	<u>\$ 283</u>	<u>\$ 647</u>	<u>\$ 1,503</u>	<u>\$ 900</u>	<u>\$ 1,198</u>	<u>\$ (18,767)</u>	<u>\$ (500)</u>	<u>\$ 954</u>	<u>\$ 583</u>
\$ (2,927)	\$ 283	\$ 647	\$ 1,503	\$ 900	\$ 1,198	\$ (18,767)	\$ (500)	\$ 954	\$ 583
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ (2,927)</u>	<u>\$ 283</u>	<u>\$ 647</u>	<u>\$ 1,503</u>	<u>\$ 900</u>	<u>\$ 1,198</u>	<u>\$ (18,767)</u>	<u>\$ (500)</u>	<u>\$ 954</u>	<u>\$ 583</u>

Special Revenue Continued									
Xmas Light Donations	Youth Fund	Police Computer	Little League	Fire Department Building	Wellness Center Grants	Recreation/ Special Events	Park Benches/ Trail	Fire Truck Sales	Community Center Rocco's Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	500	-	-	-	2,292	-	-
\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ 2,292	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,724	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,724	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ (432)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ (432)	\$ -	\$ -
235	125	170	(169)	2,316	2,000	206	2,605	1,500	(71)
\$ 235	\$ 125	\$ 170	\$ 331	\$ 2,316	\$ 2,000	\$ 206	\$ 2,173	\$ 1,500	\$ (71)
\$ 235	\$ 125	\$ 170	\$ 331	\$ 2,316	\$ 2,000	\$ 206	\$ 2,173	\$ 1,500	\$ (71)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ 235	\$ 125	\$ 170	\$ 331	\$ 2,316	\$ 2,000	\$ 206	\$ 2,173	\$ 1,500	\$ (71)

Schedule 1

Special Revenue Continued							Capital Projects	Permanent	Total
EMS	Alley Peffo	Housing Acquisition/ Demolition	Airport Hangars	Airport Grants	Airport Beacon	Tax Increment Financing	Capital Improvements FIRE-EMS	Jeffries Library Memorial	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,743
-	-	-	-	-	-	37,754	-	-	37,754
-	-	-	-	-	-	-	-	223	223
-	-	-	-	-	-	-	-	-	-
-	24,000	-	2,400	-	-	-	-	-	137,875
<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,754</u>	<u>\$ -</u>	<u>\$ 223</u>	<u>\$ 282,595</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,634
-	-	-	1,776	-	-	-	-	-	32,573
-	-	-	-	-	-	-	-	-	45,566
-	-	-	-	-	-	37,754	-	-	41,099
-	-	-	-	-	-	-	-	-	22,684
-	24,000	-	-	-	-	-	3,580	-	27,580
<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 1,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,754</u>	<u>\$ 3,580</u>	<u>\$ -</u>	<u>\$ 240,136</u>
\$ -	\$ -	\$ -	\$ 624	\$ -	\$ -	\$ -	\$ (3,580)	\$ 223	\$ 42,459
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 624	\$ -	\$ -	\$ -	\$ (3,580)	\$ 223	\$ 42,459
200	-	523	(8,353)	(2,907)	358	5,384	3,580	10,496	37,441
<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ (7,729)</u>	<u>\$ (2,907)</u>	<u>\$ 358</u>	<u>\$ 5,384</u>	<u>\$ -</u>	<u>\$ 10,719</u>	<u>\$ 79,900</u>
\$ 200	\$ -	\$ 523	\$ (7,729)	\$ (2,907)	\$ 358	\$ 5,384	\$ -	\$ -	\$ 69,181
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	10,719	10,719
<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ (7,729)</u>	<u>\$ (2,907)</u>	<u>\$ 358</u>	<u>\$ 5,384</u>	<u>\$ -</u>	<u>\$ 10,719</u>	<u>\$ 79,900</u>

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Fire station bonds	Jul. 7, 2005	3.90%	\$ 300,000
Water improvement bonds	Mar. 1, 2001	3.84%	298,000
Street improvement notes	Dec. 1, 2000	5.20 - 5.60%	530,000
Total			
Other debt:			
Crown colony contract	Oct. 1, 1980	N/A	\$ 240,000
Airport loan	Apr. 12, 2002	3.00%	40,000
Total			
Revenue bonds and notes:			
Water revenue refunding notes	Nov. 15, 2004	2.25 - 3.80%	\$ 700,000
SRF sewer revenue bonds	Oct. 15, 2002	3.00%	694,000
SRF sewer revenue bonds	Jun. 30, 2002	3.00%	514,000
Electric series 1992	Jul. 06, 1992	6.40%	400,000
Total			

See accompanying independent auditors' report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 275,000	\$ -	\$ 25,000	\$ 250,000	\$ 10,255	\$ -
239,000	-	13,000	226,000	9,178	-
355,000	-	65,000	290,000	19,407	-
<u>\$ 869,000</u>	<u>\$ -</u>	<u>\$ 103,000</u>	<u>\$ 766,000</u>	<u>\$ 38,840</u>	<u>\$ -</u>
\$ 86,500	\$ -	\$ 6,000	\$ 80,500	\$ -	\$ -
25,402	-	3,927	21,475	762	-
<u>\$ 111,902</u>	<u>\$ -</u>	<u>\$ 9,927</u>	<u>\$ 101,975</u>	<u>\$ 762</u>	<u>\$ -</u>
\$ 515,000	\$ -	\$ 95,000	\$ 420,000	\$ 17,435	\$ -
502,000	-	25,000	477,000	150,600	-
434,000	-	22,000	412,000	13,020	-
40,000	-	40,000	-	2,560	-
<u>\$ 1,491,000</u>	<u>\$ -</u>	<u>\$ 182,000</u>	<u>\$ 1,309,000</u>	<u>\$ 183,615</u>	<u>\$ -</u>

City of Lamoni
Bond and Note Maturities
June 30, 2007

General Obligation Bonds and Notes							
Year Ending June 30,	Fire Station		Water Improvement		Street Improvement		Total
	Issued Jul. 7, 2005		Issued Mar. 1, 2001		Issued Dec. 1, 2000		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	3.90%	\$ 25,000	3.84%	\$ 14,000	5.40%	65,000	104,000
2009	3.90%	30,000	3.84%	14,000	5.45%	70,000	114,000
2010	3.90%	30,000	3.84%	15,000	5.50%	75,000	120,000
2011	3.90%	30,000	3.84%	15,000	5.60%	80,000	125,000
2012	3.90%	30,000	3.84%	16,000	-	-	46,000
2013	3.90%	35,000	3.84%	17,000	-	-	52,000
2014	3.90%	35,000	3.84%	17,000	-	-	52,000
2015	3.90%	35,000	3.84%	18,000	-	-	53,000
2016	-	-	3.84%	18,000	-	-	18,000
2017	-	-	3.84%	19,000	-	-	19,000
2018	-	-	3.84%	20,000	-	-	20,000
2019	-	-	3.84%	21,000	-	-	21,000
2020	-	-	3.84%	22,000	-	-	22,000
2021	-	-	-	-	-	-	-
Total		<u>\$ 250,000</u>		<u>\$ 226,000</u>		<u>\$ 290,000</u>	<u>\$ 766,000</u>
Other Debt							
Year Ending June 30,	Crown Colony Contract		Airport Loan		Total		
	Issued Oct. 1, 1980		Issued Apr. 12, 2002				
	Interest Rates	Amount	Interest Rates	Amount			
2008	N/A	\$ 6,000	3.00%	\$ 4,045	\$ 10,045		
2009		6,000	3.00%	4,166	10,166		
2010		6,000	3.00%	4,291	10,291		
2011		6,000	3.00%	4,420	10,420		
2012		6,000	3.00%	4,553	10,553		
2013		6,000	-	-	6,000		
2014		6,000	-	-	6,000		
2015		6,000	-	-	6,000		
2016		6,000	-	-	6,000		
2017		6,000	-	-	6,000		
2018		6,000	-	-	6,000		
2019		6,000	-	-	6,000		
2020		6,000	-	-	6,000		
2021		2,500	-	-	2,500		
Total		<u>\$ 80,500</u>		<u>\$ 21,475</u>	<u>\$ 101,975</u>		

See accompanying independent auditors' report.

Schedule 3

Revenue Bonds and Notes							
Year Ending June 30,	Water Revenue Refunding		SRF Sewer Revenue		SRF Sewer Revenue		Total
	Issued Nov. 15, 2004		Issued Oct. 15, 2002		Issued June 30, 2002		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	3.15%	\$ 100,000	3.00%	\$ 26,000	3.00%	\$ 22,000	\$ 148,000
2009	3.40%	105,000	3.00%	26,000	3.00%	23,000	\$ 154,000
2010	3.60%	105,000	3.00%	27,000	3.00%	23,000	\$ 155,000
2011	3.80%	110,000	3.00%	28,000	3.00%	24,000	\$ 162,000
2012		-	3.00%	29,000	3.00%	25,000	\$ 54,000
2013		-	3.00%	30,000	3.00%	26,000	\$ 56,000
2014		-	3.00%	31,000	3.00%	26,000	\$ 57,000
2015		-	3.00%	32,000	3.00%	27,000	\$ 59,000
2016		-	3.00%	32,000	3.00%	28,000	\$ 60,000
2017		-	3.00%	33,000	3.00%	29,000	\$ 62,000
2018		-	3.00%	34,000	3.00%	30,000	\$ 64,000
2019		-	3.00%	35,000	3.00%	31,000	\$ 66,000
2020		-	3.00%	37,000	3.00%	32,000	\$ 69,000
2021		-	3.00%	38,000	3.00%	33,000	\$ 71,000
2022		-	3.00%	39,000	3.00%	33,000	\$ 72,000
Total		\$ 420,000		\$ 477,000		\$ 412,000	\$ 1,309,000

City of Lamoni

Schedule 4

City of Lamoni

Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last four Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 528,850	\$ 516,208	\$ 472,696	\$ 470,646
Tax increment financing collections	37,754	48,751	46,607	30,214
Other city tax	122,015	103,695	123,931	102,130
Licenses and permits	2,923	5,320	3,238	4,340
Use of money and property	15,587	16,966	21,302	15,397
Intergovernmental	296,819	646,347	445,651	272,793
Charges for service	190,790	185,773	172,962	151,651
Miscellaneous	<u>207,189</u>	<u>131,358</u>	<u>360,411</u>	<u>127,047</u>
Total	<u>\$ 1,401,927</u>	<u>\$ 1,654,418</u>	<u>\$ 1,646,798</u>	<u>\$ 1,174,218</u>
Disbursements:				
Operating:				
Public safety	\$ 282,443	\$ 764,396	\$ 240,241	\$ 253,426
Public works	421,147	422,318	395,564	373,860
Culture and recreation	197,735	311,418	280,795	232,608
Community and economic development	95,912	73,196	75,298	47,938
General government	126,163	139,699	136,823	138,504
Debt service	343,423	338,720	275,348	122,947
Capital projects	<u>123,014</u>	<u>412,303</u>	<u>578,299</u>	<u>39,103</u>
Total	<u>\$ 1,589,837</u>	<u>\$ 2,462,050</u>	<u>\$ 1,982,368</u>	<u>\$ 1,208,386</u>

See accompanying independent auditors' report.

City of Lamoni

L **INES MURPHY & COMPANY, P.L.C.**
M Certified Public Accountants
625 Main St. Ph. 641-732-5841
Osage, IA 50461-1307 Fax 641-732-5193

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated August 8, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Lamoni's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lamoni's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Lamoni's financial statements that is more than inconsequential will not be prevented or detected by the City of Lamoni's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Lamoni's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lamoni and other parties to whom the City of Lamoni may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
August 8, 2007

City of Lamoni

Schedule of Findings

Year ended June 30, 2007

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including one material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Lamoni

Schedule of Findings

Year ended June 30, 2007

Part III: Other Findings Related to Statutory Reporting:

- III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, public works, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so.

Conclusion – Response accepted.

- III-B-07 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mark Ballantyne, Council Member, Owner of Mark's Auto Service	Repairs and services	\$ 2,511

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the above individual appear to represent a conflict of interest since total transactions with the individual were more than \$2,500 during the fiscal year and bids were not taken.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact legal counsel.

Conclusion – Response accepted.

City of Lamoni

Schedule of Findings

Year ended June 30, 2007

III-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-07 Council Minutes – We noted three transactions that we believe should have been approved in the Council minutes but were not.

Recommendation – All expenditures should be approved by the Board, with sufficient documentation maintained to evidence proper approval.

Response – We will do so.

Conclusion – Response accepted.

III-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

III-H-07 Revenue Bonds and Notes – The resolution providing for the issuance of the 2004 water revenue refunding notes requires that monthly transfers be made to a water revenue sinking account until the minimum balance is met. This account is below the minimum required balance at June 30, 2007. Also, user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year. Net revenues for the year ended June 30, 2007 did not meet the minimum amount.

Recommendation – The City should make the necessary transfers to bring the water revenue sinking account to the required balance. The City should also adjust user rates to comply with the resolution requirements for the water revenue refunding notes.

Response – We will do so.

Conclusion – Response accepted.

III-I-07 Financial Condition – The City had the following deficit balances at June 30, 2007:

General Fund		\$80,091
Special Revenue Funds	DARE Program	165
	Police Grant	18,767
	Fire Department Grant	500
	Community Center Roccs Grant	71
	Airport Hangars	7,729
	Airport Grants	2,907
	Fire Truck Insurance	2,927
Debt Service		13,104
Capital Projects	Airport FTA Grants	21,424

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.

III-J-07 Code of Ordinances – The City’s code of ordinances has not been maintained as required by Chapter 380.8 of the Code of Iowa.

Recommendation – The City should compile the code of ordinances to bring it into compliance with Chapter 380.8 of the Code of Iowa.

Response – We are in the process of compiling the code of ordinances.

Conclusion – Response accepted.

III-K-07 Outstanding Checks – Unclaimed property per Chapter 556.1(10) of the Code of Iowa has not been reported to the State Treasurer as required.

Recommendation – The City should comply with Chapter 556.1(10) of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.